

MOGALAKWENA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For The Year Ended

30 June 2008



I am responsible for the preparation of these Annual Financial Statements, which are set out in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's Determination in accordance with this Act.

Makobe D.H.
Municipal Manager

Date

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MOGALAKWENA MUNICIPALITY



STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net Assets		666 064 345	506 085 690
Capital Replacement Reserve		15 851 632	57 237 752
Capitalisation Reserve		56 320 091	60 909 155
Government Grant Reserve		247 200 660	190 776 295
Donations and public contributions reserves		664 815	733 231
Revaluation Reserve		134 288 840	79 889 401
Accumulated Surplus / (Deficit)		211 738 307	116 539 856
Non-Current Liabilities		466 696	229 821
Non-Current Provisions	1	466 696	229 821
Current Liabilities		116 930 204	85 757 132
Consumer Deposits	2	11 638 356	12 083 714
Provisions	3	1 331 996	1 183 945
Creditors	4	46 607 699	35 419 133
Unspent Conditional Grants and Receipts	5	57 352 153	31 820 025
VAT	6		5 250 315
TOTAL NET ASSETS AND LIABILITIES		783 461 245	592 072 643
ASSETS			
Non-Current Assets		583 515 447	383 685 588
Property Plant and Equipment	7	576 247 289	376 109 765
Investment property	8	7 236 000	7 236 000
Long-Term Receivables	9	32 158	339 823
Current Assets		199 945 798	208 387 054
VAT	6	10 044 250	
Inventory	10	8 448 713	4 876 908
Consumer Debtors	11	30 347 207	45 963 333
Other Debtors	12	4 943 254	5 621 077
Current Portion of Long-Term Debtors	9	9 629 687	930 568
Call Investment Deposits	13	135 219 793	148 000 000
Bank Balances and Cash	14	1 312 894	2 995 168
TOTAL ASSETS		783 461 245	592 072 643

MOGALAKWENA MUNICIPALITY



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

		ACTUAL	
	Note	2008	2007
		R	R
REVENUE			
Property rates	15	33 983 046	31 174 471
Service charges	16	108 884 600	105 410 897
Rental of facilities and equipment		227 712	257 105
Interest earned - external investments		17 163 519	12 549 174
Interest earned - outstanding debtors		2 051 328	3 610 187
Fines		1 201 118	1 370 849
Licences and permits		5 820 776	5 107 122
Government grants and subsidies	17	178 461 212	144 012 277
Other income	18	34 556 701	15 989 881
Public contributions, donated and contributed property, plant and equipment			
Total Revenue		382 350 012	319 481 963
EXPENDITURE			
Employee related costs	19	86 170 889	72 785 726
Remuneration of Councillors	20	10 930 703	9 010 239
Bad debts		27 279 851	14 694 185
Collection costs		171 275	133 958
Depreciation		37 887 628	22 952 972
Repairs and maintenance		31 789 416	31 177 187
Bulk Purchases	21	49 431 622	47 477 717
General Expenditure		42 519 112	43 526 869
Loss on disposal of property, plant and equipment		6 805 996	74 681
		-	
Total Expenditure		292 986 492	241 833 535
SURPLUS / (DEFICIT) FOR THE YEAR		89 363 520	77 648 428
Refer to Appendix D(1) for the comparison with the approved budget			

MOGALAKWENA LOCAL MUNICIPALITY



STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	<u>Capital Replacement Reserve</u>	<u>Capitalisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Donations and Public Contribution Reserve</u>	<u>Revaluation Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R	R	R
Balance at 30 June 2007	54 006 097	60 909 155	193 313 015	733 231	79 889 401	119 469 175	508 320 074
2008							
Correction of error (Note 22)	3 231 655		(2 536 720)			(2 929 319)	(2 234 384)
Restated balance	57 237 752	60 909 155	190 776 295	733 231	79 889 401	116 539 856	506 085 690
Surplus/(deficit) for the year						89 363 520	89 363 520
Revaluation					70 615 135		70 615 135
Transfer to CRR	57 141 171					(57 141 171)	
Property, plant and equipment purchased	(98 527 291)					98 527 291	
Capital grants used to purchase PPE			75 512 941			(75 512 941)	
Donated/contributed PPE						0	
Contribution to Insurance Reserve						0	
Insurance claims processed						0	
Transfer to Housing Development Fund						0	
Transfer to Capitalisation reserve							
Fixed property previously not on asset register							
Transfer to Government grant reserve							
Asset disposals		(205 880)	(857 478)		(5 742 639)	6 805 997	
Offsetting of deprediation		(4 383 184)	(18 231 098)	(68 416)	(10 473 057)	33 155 755	
Balance at 30 June 2008	15 851 632	56 320 091	247 200 660	664 815	134 288 840	211 738 307	666 064 345

MOGALAKWENA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008



	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		362 386 828	285 378 545
Cash paid to suppliers and employees		(213 011 331)	(197 757 482)
Cash generated from/(utilised in) operations	23	149 375 497	87 621 063
Interest received		19 214 847	16 159 361
NET CASH FROM OPERATING ACTIVITIES		168 590 344	103 780 424
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(174 216 013)	(65 404 972)
Proceeds on disposal of property, plant and equipment			730 699
(Increase)/decrease in non-current receivables		(8 391 454)	
(Increase) decrease in call investment deposits		12 780 207	(45 991 308)
NET CASH FROM INVESTING ACTIVITIES		(169 827 260)	(110 665 581)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) Increase in consumer deposits		(445 358)	1 353 431
NET CASH FROM FINANCING ACTIVITIES		(445 358)	1 353 431
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 682 274)	(5 531 726)
Cash and cash equivalents at the beginning of the year		2 995 168	8 526 893
Cash and cash equivalents at the end of the year	24	1 312 894	2 995 168

MOGALAKWENA MUNICIPALITY



ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings which are carried at fair value.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP), prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005 and

The standards comprise of the following:

GRAP1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes on Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Subsidiaries
GAMAP 7	Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. The Minister of Finance has in terms of General Notice 522 exempted compliance with certain standards in terms of clause 2(2) of Government Gazette no. 30013 of 29 June 2007.

Details of the exemptions applicable to Mogalakwena Local Municipality are detailed below:

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2008 (continued)

Standard no	Standard Title	Extent of exemption from standard	Exemption period
GRAP 3	Accounting policies, changes in accounting estimates	Identification and impact of GRAP standards that have been issued but not yet effective and changes to accounting policies [paragraph 14, 19 and 30-31]	2007/08 financial year
GAMAP 17	Property, plant and equipment	Review of useful life of items of PPE recognizes in the annual financial statements[paragraph 59-61 and 77] Impairment of non-cash generating assets[paragraph 64-69 and 75(e)(v)(vi)] Impairment of cash generating assets[paragraph 63 and 75(e)(v)-(vi)]	2007/08 and 2008/09
IAS 36/AC 128	Impaired of Assets	Entire Standard	2007/08 and 2008/09
GAMAP 12	Inventories	Entire Standard as far as it relates to immovable capital assets that is accountable for in terms of GAMAP 17 The entire standard to the extent that it relates to water stock that was not purchased by the municipality	2007/08 and 2008/09
IAS 40/AC 135	Investment Properties	The entire standard to the extent that the property is accounted for in terms of GAMAP 17 Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard [paragraph 79(e)(i)(ii)]	2007/08 to 2009,10
IAS 17/AC 105	Leases	Recognizing operating lease payment/receipt on a straight line basis if amounts are recognised on the basis of the cash flow in the lease agreement[SAICA circular 12/06 paragraph 8 -11 and paragraph 33,34,50,51 of IAS 17 AC 105)	2007/08 to 2008/09
IAS 38 /AC 129	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs(SIC 32/AC 432) and all other costs are expensed	2007/08 to 2008/09

IAS 19/AC 116	Employee Benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information.[paragraphs 29, 48-119, 120A(c)-(q)]	2007/08 to 2008/09
GAMAP 9	Revenue	Initial measurement of fair value discounting all future receipts using an imputed rate of interest [SAICA circular 09/06 and paragraph 12]	2007/08 to 2008/09
IAS 39/AC 133	Financial instruments Recognition and Measurement	Initial measuring financial assets and financial liabilities at fair value. [SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/AC 133]	2007/08 to 2008/09
IFRS 5(AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale paragraph 6-14, 15-29 (in so far as it relates to non-current assets held for sale), 38-42]	2007/08 to 2008/09
IFRS 7/AC 144	Financial instruments: Disclosures	Entire standard to be replaced by IAS 32(AC 125) issued August 2006 and effective for financial statements covering periods beginning on or 1 January 1998	2007/08 to 2008/09
IAS 14 AC 115	Segment reporting	Entire standard	Not applicable
IFRS 8(AC145)	Operating segments	Entire standard	Not applicable
IAS 11 AC 109	Construction contracts	Entire standard	Not applicable
IFRS 3 AC 140	Business combination	Entire standard	Not applicable
IAS 20 /AC 134	Accounting for Government Grants and disclosure of Government assistance	Entire standard excluding paragraph 24 and 26, paragraph 25 of GAMAP 17 and paragraph 42-46 of GAMAP 9	2007/08

The principle accounting policies adopted in the preparation of these financial statements and which have been consistently applied except where an exemption has been granted are disclosed below.

Assets, liabilities and expenses have not been offset except when offsetting is required or permitted by Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus (deficit) to the CRR in terms of the amount budgeted on the operating budget. A corresponding amount is transferred to an investment account. The cash in this designated CRR investment account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) is credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on affordability and not on the municipality's need to finance future capital projects included in the Integrated Development Plan.

4.2 Capitalisation Reserve

On the implementation of GAMAP / GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item, is transferred to the accumulated surplus/(deficit).

4.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus /(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an items of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such items is transferred to the accumulated surplus/(deficit).

4.4 Donation and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful live of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.5 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, which were revalued every fourth year. Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Infrastructure	Years	Other	Years
Electricity	5-30	Buildings	30
Roads	5-30	Office Equipment	2-7
Water	5-20	Furniture and fittings	5-20
Sewerage	5-20	Bins and containers	5
		Emergency equipment	5-10
Community		Motor vehicles	5
Buildings	30	Fire engines	10
Recreational facilities	15	Plant and equipment	2-10
Security	3-5		

All other information in regard with property, plant and equipment is contained in the fixed asset management policy.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where impairment reverses a previous valuation.

Gains and losses on disposals of property, plant and equipment are determined by reference to the carrying amounts and are taken into account in determining operating surplus.

The municipality did not review the useful life or the depreciation method used on the assets recognized in the annual financial statements for the 2007/08 financial year due to the exemption granted in Gazette 30013. The municipality is also exempted from applying IAS36: Impairment of Assets for the financial year ending 30 June 2007 in terms of clause 2(2) of Government Gazette no. 30013 of 29 June 2007.

6. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation.

7. INVESTMENTS

Financial instruments, which include short-term deposits are invested in registered commercial banks and are stated at cost. Investments are stated at cost, less impairment adjustments. Where investments have been impaired, it is recognised as an expense in the period that the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8. INVENTORIES

Consumable stores and water and valued at the lower of cost and net realizable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realizable value.

Redundant and slow-moving inventories are identified and written down from cost to net realizable value with regard to the estimated economic or realizable values.

9. ACCOUNTS RECEIVABLE

Debtors are carried at anticipated realized value. The percentage to be written off is calculated during the budget process each year and reviewed at year end.

An estimate is made for doubtful receivables based on outstanding debtors 120 days and older.

10. TRADE CREDITORS

Trade creditors are stated at their normal value.

11. LEASES

Leases are classified as finance leases where substantially all risks and rewards associated with the ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalized at their cash equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due. Payments made under the operating leases are charged against the Statement of Financial Performance on a straight-line basis over the period of the lease.

The municipality adopted the exemptions granted in Government Gazette 30013 dated 29 June 2007.

12. REVENUE

12.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provincial estimates of consumption are made when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustment to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal, sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariffs from Council. Tariffs are determined by the size and the classification of the property.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest income is recognised when payment is received.

Revenue from fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when actually collected.

Government grants are recognised as revenue when all conditions associated with the grant have been met. Where grants have been received but the municipality has not met the condition, a liability is raised.

Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are recognised as revenue when all conditions associated with the grant have been met. Where grants have been received but the Municipality has not met the condition, a liability is raised.

Revenue from the sale of goods is recognised when payment is received and the risk is passed to the customer.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a monthly basis.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from Conditional Grants, Donations and Funding are recognised as Revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. Where the criteria of the conditions and obligations were not met, the outstanding obligation is recognised as a liability.

14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with the registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposit held on call with banks and investments in financial instruments, net of bank overdraft.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality, or organ of the state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

Unauthorised expenditure will be accounted for as an expense in the Statement of Financial Performance, and where recovered, it will be accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular Expenditure excludes unauthorised expenditure. Irregular expenditure will be accounted for as an expenditure in the Statement of Financial Performance, and where recovered, it will be accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is an expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure will be accounted for as an expenditure in the Statement of Financial Performance, and where recovered, it will be accounted for as revenue in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

20. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

21. TAXATION

The Municipality is exempted from tax in terms of section 10(1)cB(i)(ff) of the Income Tax Act.



2008
R

2007
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1. NON-CURRENT PROVISIONS

Provision for long-service	466 696	229 821
Total Non-Current Provisions	466 696	229 821

The long-service award is payable after the first 10 years of continuous service and thereafter every 5 years of continuous service. The provision is based on the long-service leave to which employees are entitled to on 30 June 2008. The current portion is calculated at 10% of the long-service. (2007- 60%)

The movement in the non-current provision is reconciled as follows: -

Long service

30 June 2008

Balance at beginning of year	229 821	284 839
Contributions to provision	236 874	463 551
Expenditure incurred	0	0
Transfer to current provisions	-	(518 569)
Balance at end of year	466 696	229 821

2. CONSUMER DEPOSITS

Electricity and Water	11 638 356	12 083 714
Total Consumer Deposits	11 638 356	12 083 714
Guarantees held in lieu of Electricity and Water Deposits	1 985 346	1 895 346

3. PROVISIONS

Performance bonus	1 280 141	839 213
Current portion of long-service provision (see note 1 above)	51 855	344 732
Total Provisions	1 331 996	1 183 945

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists. The assessment for 06/07 has not been performed at the reporting date.

The movement in current provisions are reconciled as follows: -

30 June 2008

	<u>Performance Bonus</u>	<u>Current portion Long-service</u>
Balance at beginning of year	839 213	344 732
Transfer from non-current	-	(236 874)
Contributions to provision	440 928	(4 209)
Expenditure incurred		(51 793)
Balance at end of year	1 280 141	51 855

30 June 2007

	<u>Performance Bonus</u>	<u>Current portion Long-service</u>
Balance at beginning of year	358 854	122 074
Transfer from non-current	-	518 569
Contributions to provision	1 001 618	-
Expenditure incurred	(521 260)	(295 911)
Balance at end of year	839 213	344 732

4. CREDITORS

Trade Creditors	14 398 985	8 801 394
Unclaimed monies	1 779 925	6 567 111
Retentions	19 552 588	10 318 657
Staff leave	6 045 099	5 248 850
Other deposits	116 212	74 767
Other creditors -Development fund,education fund and other	1 600 926	1 552 865
Debtors accounts with credit balances	3 113 964	2 855 488
Total Creditors	46 607 699	35 419 133



2008
R

2007
R

5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

5.1 Conditional Grants from other spheres of Government

	55 816 453	31 820 025
MIG Grant (see note 17)	25 822 660	16 530 701
Department of Water Affairs (see note 17)	16 577 881	1 025 076
Office of the Premier (see note 17)	1 752 993	4 279 200
Finance management grant (see note 17)	168 727	168 566
Department of sport and agriculture (see note 17)	0	470 385
Provincial LED Projects (see note 17)	0	118
European union	1 200 000	
National Lottery funding	102 958	377 471
Department of Mineral and Energy	286 939	1 623 266
National Road agency	2 641 893	2 641 893
Equitable Share	7 262 402	4 703 349

5.2 Other Conditional Receipts

	1 535 700	0
PPL Mine	1 535 700	0

Total Conditional Grants and Receipts

57 352 153 31 820 025

See note 17 for reconciliation of grants from other spheres of government.
These amounts are invested in a ring-fenced investment until utilized.

6. VAT

VAT payable/ (refundable)	(10 044 250)	5 250 315
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS



	2008 R	2007 R
8. INVESTMENT PROPERTY		
Fair value	7 236 000	7 236 000
Total Investment Property	<u>7 236 000</u>	<u>7 236 000</u>

Revenue earned is included in the statement of financial performance. Property is held for long-term capital appreciation.

9. LONG-TERM RECEIVABLES

Car loans	309 685	723 304
Study Loans	63 879	66 486
Sale of stands	9 288 281	480 601
Removal cost	-	-
	<u>9 661 845</u>	<u>1 270 391</u>
Less : Current portion transferred to current receivables	9 629 687	930 568
Car loans	281 931	388 403
Study Loans	59 475	61 564
Sale of stands	9 288 281	480 601
Removal cost	-	-
Total	<u>32 158</u>	<u>339 823</u>

CAR LOANS

Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2010.

STUDY LOANS

These loans are repayable in the year 2010. 5% interest per annum is charged.

SALE OF STANDS

Stands are sold on a cash/bank guarantee basis.

10. INVENTORY

Consumable stores - at cost	7 118 593	3 440 070
Water - at cost	31 685	110 289
Stands held for sale	1 298 435	1 326 549
Total Inventory	<u>8 448 713</u>	<u>4 876 908</u>

11. CONSUMER DEBTORS

As at 30 June 2008	Gross Balances	Provision for Bad Debts	Net Balance
Service Debtors			
- Rates	38 781 344		38 781 344
- Sewerage	7 807 564		7 807 564
- Refuse	10 992 432		10 992 432
- Water	22 791 811		22 791 811
- Electricity	11 359 868		11 359 868
- Interest	39 110 811		39 110 811
- Other	7 449 318		7 449 318
Provision for Bad Debt		(107 945 941)	(107 945 941)
Total	<u>138 293 148</u>	<u>(107 945 941)</u>	<u>30 347 207</u>



	2008 R	2007 R
As at 30 June 2007		
Service Debtors		
- Rates	44 929 734	44 929 734
- Sewerage	10 310 908	10 310 908
- Refuse	15 915 550	15 915 550
- Water	31 642 216	31 642 216
- Electricity	12 212 747	12 212 747
- Interest	45 857 134	45 857 134
- Other	8 024 110	8 024 110
Provision for Bad Debt		(122 929 066)
Total	168 892 399	(122 929 066)

Rates - Ageing

Current (0 - 30 Days)	4 875 399	5 045 118
31 - 60 Days	994 049	1 083 991
61 - 90 Days	916 413	974 989
91 - 120 Days	31 995 483	37 825 636
Total	38 781 344	44 929 734

Electricity, Water, Interest, Sundries, Refuse and Sewerage - Ageing

Current (0 - 30 Days)	17 729 035	19 222 353
31 - 60 Days	3 022 797	3 762 331
61 - 90 Days	2 809 515	2 954 434
91 - 120 Days	75 950 458	98 023 547
Total	99 511 805	123 962 665

Summary of Debtors by Customer Classification

30 June 2008	Consumers	Industrial/ Commercial	National & Provincial Government
Current (0 - 30 Days)	14 251 600	6 849 744	1 503 088
31 - 60 Days	2 968 494	502 128	546 224
61 - 90 Days	2 798 804	428 987	498 137
91 - 120 Days	86 988 462	4 953 977	16 003 502
Sub-total	107 007 360	12 734 836	18 550 951
Less: Provision for bad debt	(86 988 462)	(4 953 977)	(16 003 502)
Total Debtors by Customer Classification	20 018 898	7 780 859	2 547 449

Summary of Debtors by Customer Classification

30 June 2007	Consumers	Industrial/ Commercial	National & Provincial Government
Current (0 - 30 Days)	15 956 467	# 6 655 461	1 655 543
31 - 60 Days	3 489 026	783 731	573 565
61 - 90 Days	3 122 033	340 278	467 112
91 - 120 Days	117 913 253	4 985 553	12 950 377
Sub-total	140 480 779	12 765 023	15 646 597
Less: Provision for bad debt	(102 031 125)	(9 834 325)	(11 063 616)
Total Debtors by Customer Classification	38 449 654	2 930 698	4 582 981

Reconciliation of the bad debt provision

Balance at beginning of the year	122 929 066	98 797 216
Contributions to provision	27 279 851	14 694 185
Bad debts written off against provision	(42 262 976)	9 437 665
Balance at end of year	107 945 941	122 929 066



2008
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12. OTHER DEBTORS

Amounts Receivable	1 620 157	401 981
Suspense Account Debtors	100 868	1 739 331
Accumulated interest not received	3 222 229	3 479 765
Total Other Debtors	4 943 254	5 621 077

13. CALL INVESTMENT DEPOSITS

30 Day Deposits	99 000 000	
Call Deposits	36 219 793	148 000 000
	135 219 793	148 000 000

Other deposits of R 15 851 632 (2007: R 54 006 097) are ring-fenced and attributable to the Capital Replacement Reserve. Unspent conditional grants of R 57 352 153 (2007: R 31 820 025) is also included under call investment deposits. R11 452 297 is committed through a letter of credit for buying of transformers.

14. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Standard Bank - Mokopane Branch
Account Number - 031264344

Cash book balance at beginning of year	2 974 663	8 513 888
Cash book balance at end of year	1 292 389	2 974 663
Bank statement balance at beginning of year	4 099 516	9 857 931
Bank statement balance at end of year	3 845 134	4 099 516

Other Cash

Petty Cash	20505	20505
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15. PROPERTY RATES

Actual

Residential	13 290 912	12 493 374
Industrial	2 411 604	2 233 894
Undeveloped	2 563 455	2 266 562
Consent use	682 808	404 660
Commercial	11 715 330	10 858 779
State	3 318 937	2 917 202
Total Assessment Rates	33 983 046	31 174 471

Valuation

Residential	145 419 835	140 497 791
Industrial	15 118 400	14 890 400
Undeveloped	13 864 493	11 859 963
Consent use	4 576 300	3 499 300
Commercial	58 676 400	58 126 400
State	15 892 940	15 758 340
Municipality	44 732 708	32 574 000
Total Property Valuations	298 281 076	277 206 194

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2002. Extension to use the existing valuation roll was granted till 30 June 2008. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.2076 (2007 : R0.1977) is applied to property valuations to determine assessment rates. All municipal property was revalued at 30 June 2008.



	2008 R	2007 R
16. SERVICE CHARGES		
Sale of electricity	66 141 853	64 303 409
Sale of water	26 872 328	26 669 343
Refuse removal	7 381 583	6 678 097
Sewerage and sanitation charges	8 488 836	7 760 049
Total Service Charges	108 884 600	105 410 897

17. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	78 828 568	68 865 892
Equitable share - Capital projects	11 172 309	4 681 652
MIG Grant	49 033 699	45 545 916
Department of Water Affairs	30 529 695	21 780 487
Office of the Premier	3 758 225	312
Finance management grant	499 840	554 959
European Union	0	
Provincial LED Projects	118	13 262
Department of sport and agriculture	470 385	
Department of Mineral and Energy	3 136 327	2 189 734
Lottery Funding	1 032 047	380 062
	178 461 212	144 012 277

17.1 Equitable Share

The Equitable Share is an unconditional grant and is utilised to assist the local municipalities undertake service delivery.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 161.15 (2007 : R 142.87), which is funded from this grant.

Equitable Share - Capital projects

Balance Unspent at the Beginning of the Year	4 703 348	
Current Year Receipts	13 731 363	9 385 000
Conditions Met - Transferred to Revenue	11 172 309	4 681 652
Conditions Still to be Met - Transferred to Liabilities (see note 5)	7 262 402	4 703 348

17.2 European union

Balance Unspent at the Beginning of the Year		
Current Year Receipts	1 200 000	
Conditions Met - Transferred to Revenue	-	-
Conditions Still to be Met - Transferred to Liabilities (see note 5)	1 200 000	-

17.3 Sport and Recreation Grant

Balance Unspent at the Beginning of the Year	470 385	470 385
Current Year Receipts	-	-
Conditions Met - Transferred to Revenue	470 385	
Conditions Still to be Met - Transferred to Liabilities (see note 5)	-	470 385

17.4 Office of the Premier

Balance Unspent at the Beginning of the Year	4 277 218	4 277 530
Current Year Receipts	1 234 000	-
Conditions Met - Transferred to Revenue	3 758 225	312
Conditions Still to be Met - Transferred to Liabilities (see note 5)	1 752 993	4 277 218

17.5 MIG Funding

Balance Unspent at the Beginning of the Year	16 530 703	14 100 233
Current Year Receipts	58 325 657	47 976 384
Conditions Met - Transferred to Revenue	49 033 699	45 545 916
Conditions Still to be Met - Transferred to Liabilities (see note 5)	25 822 660	16 530 703



	2008 R	2007 R
17.6 Department of water affairs		
Balance Unspent at the Beginning of the Year	1 025 076	1 076 199
Current Year Receipts	46 082 500	21 729 362
Conditions Met - Transferred to Revenue	30 529 695	21 780 485
Conditions Still to be Met - Transferred to Liabilities (see note 5)	<u>16 577 881</u>	<u>1 025 076</u>
17.7 Provincial LED Projects		
Balance Unspent at the Beginning of the Year	118	13 380
Current Year Receipts	-	-
Conditions Met - Transferred to Revenue	118	13 262
Conditions Still to be Met - Transferred to Liabilities (see note 5)	<u>-</u>	<u>118</u>
17.8 Finance Management Grant		
Balance Unspent at the Beginning of the Year	168 566	223 526
Current Year Receipts	500 000	500 000
Conditions Met - Transferred to Revenue	499 840	554 959
Conditions Still to be Met - Transferred to Liabilities (see note 5)	<u>168 727</u>	<u>168 566</u>
17.9 National lottery funding		
Balance Unspent at the Beginning of the Year	377 471	757 533
Current Year Receipts	757 534	
Conditions Met - Transferred to Revenue	1 032 047	380 062
Conditions Still to be Met - Transferred to Liabilities (see note 5)	<u>102 958</u>	<u>377 471</u>
17.10 Department of mineral and energy		
Balance Unspent at the Beginning of the Year	1 623 266	40 000
Current Year Receipts	1 800 000	3 773 000
Conditions Met - Transferred to Revenue	3 136 327	2 189 734
Conditions Still to be Met - Transferred to Liabilities (see note 5)	<u>286 939</u>	<u>1 623 266</u>
18. OTHER INCOME		
Sale of stands	24 155 582	
Unclaimed monies older than 3 years	6 117 283	
Other income	4 283 837	15 989 881
Total Other Income	<u>34 556 701</u>	<u>15 989 881</u>
19. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	48 772 428	40 114 115
Employee related costs - Contributions for UIF, pensions, medical aids, t	14 401 775	12 086 484
Travel, motor car, accommodation, subsistence and other allowances	6 886 646	5 858 557
Housing benefits and allowances	1 007 247	408 552
Overtime payments	8 545 796	7 465 150
Performance bonus and leave bonus	4 395 334	3 860 278
Long -service awards and leave	2 161 665	3 187 295
Less: Employee costs included in other expenses		(194 706)
Total Employee Related Costs	<u>86 170 889</u>	<u>72 785 726</u>
There were no advances to employees. Loans to employees are set out in note 9.		
Remuneration of the Municipal Manager		
Annual Remuneration	646 951	475 916
Performance Bonuses		140 836
Car Allowance	187 810	231 218
Contribution to UIF, Medical, Pension Funds, Bargaining Council and sk	151 547	103 866
Total	<u>986 308</u>	<u>951 836</u>
Remuneration of the Chief Financial Officer		
Annual Remuneration	533 965	437 815
Performance Bonuses		80 704
Car Allowance	172 541	158 631
Contribution to UIF, Medical, Pension Funds, Bargaining Council, Provid	118 734	89 264
Total Remuneration of the Chief Financial Officer	<u>825 241</u>	<u>766 414</u>



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	2008 R	2007 R	
Remuneration of Individual Managers			
30 June 2008			
	Corporate Services	Developmental Services	Technical Services
Annual Remuneration	124 766	542 754	131 031
Performance Bonuses			
Car Allowance	27 734	175 987	7 961
Contribution to UIF, Medical, Pension Funds, Bargaining Council, Provident	17 828	125 920	11 476
Total	170 328	844 661	150 468

	Community Services	Traffic and Emergency Services	
Annual Remuneration	529 366	476 032	
Performance Bonuses			
Car Allowance	148 962	149 775	
Contribution to UIF, Medical, Pension Funds, Bargaining Council, Provident	132 457	123 499	
Total	810 786	749 307	

30 June 2007	Corporate Services	Developmental Services	Technical Services
Annual Remuneration	519 965	668 128	364 329
Performance Bonuses	68 566	80 982	74 787
Car Allowance	158 631	168 017	158 631
Contribution to UIF, Medical, Pension Funds, Bargaining Council, Provident	85 875	97 106	85 240
Total	833 037	1 014 233	682 987

	Community Services	Traffic and Emergency Services	
Annual Remuneration	353 899	373 785	
Performance Bonuses	75 382	0	
Car Allowance	158 631	147 185	
Contribution to UIF, Medical, Pension Funds, Bargaining Council, Provident	99 439	67 478	
Total	687 351	588 448	

20. REMUNERATION OF COUNCILLORS

Mayor	437 230	427 306
Speaker	364 590	238 679
Executive Committee Members	2 181 565	1 959 090
Councillors	6 944 067	5 527 249
Councillors Pension Contribution	966 280	821 412
Councillors Medical Aid Contribution	36 972	36 504
Total Councillors' Remuneration	10 930 703	9 010 240

In-Kind Benefits

The Mayor and the Speaker are provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

Security services were rendered at the mayor's house at the cost of council for R 118 800.

21. BULK PURCHASES

Electricity	35 565 733	33 871 197
Water	13 865 888	13 606 520
Total Bulk Purchases	49 431 622	47 477 717



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22. CORRECTION OF ERROR

During the year ended 30 June 2007 investigation/surveying cost were erroneously shown as assets instead of expensed in the operational budget.

Stands held for sale was shown at R1.00 in 06/07 and not at cost.
Investment property was included under stands held for sale.

Correction of investigating/surveying cost		(6 463 309)
Correction on stands held for sale and investment property		3 533 990
Net effect on surplus(deficit) for the year		(2 929 319)

23. CASH GENERATED BY OPERATIONS

Surplus for the year	89 363 520	77 648 428
Adjustment for:-		
Depreciation	37 887 628	22 952 972
Gain/loss on disposal of property, plant and equipment	6 805 996	5 470 238
Contribution to provisions - non-current	236 875	(55 018)
Contribution to provisions - current	148 052	703 017
Contribution to bad debt provision	(14 983 125)	24 049 834
Investment income	(19 214 847)	(16 159 361)
Operating surplus before working capital changes:	100 244 099	114 610 110
(Increase)/decrease in inventories	(3 571 805)	(5 539 258)
(Increase)/ decrease in debtors	30 599 251	(33 989 728)
(Increase)/ decrease in other debtors	677 823	137 681
(Decrease)/increase in conditional grants and receipts	25 532 129	6 552 341
Increase/(decrease) in creditors	11 188 566	5 238 629
Increase/(decrease) in VAT	-15 294 565	611 288
Cash generated by operations	149 375 498	87 621 063

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	1 312 894	2 995 168
Total cash and cash equivalents	1 312 894	2 995 168

25. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

25.1 Unauthorised expenditure

No unauthorised expenditure has occurred in the 2007/2008 financial year

25.2 Fruitless and wasteful expenditure

Overpayment of R 9 839.78 to a deceased employee Mr H C Mahwai

25.3 Irregular expenditure

No irregular expenditure has occurred in the 2007/2008 financial year

26. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

26.1 Contributions to organized local government

Opening balance	-	-
Council subscriptions	364 268	228 944
Amount paid - current year	(364 268)	(228 944)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-



	2008 R	2007 R
26.2 Audit fees		
Opening balance	-	-
Current year audit fee	891 934	629 257
Amount paid - current year	(891 934)	(629 257)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

26.3 VAT

All VAT returns have been submitted by the due date throughout the year.

26.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	10 866 592	9 955 844
Amount paid - current year	(10 866 592)	(9 955 844)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

26.5 Pension and Medical Aid Deductions

Opening balance		85 479
Current year payroll deductions and Council Contributions	18 975 092	18 942 892
Amount paid - current year	(18 975 092)	(19 028 371)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	0	0

26.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

30th June 2008

	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor T S Kgosana	5 795	3 642	2 153
Councillor M E Selomo	11 633	3 575	8 058
Councillor M I Mogotlane	12 992	1 449	11 543
Councillor P H Tsebe	4 676	3 758	918
Total Councillor Arrear Consumer Accounts	35 096	12 424	22 672

30th June 2007

	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor M R Lebelo	872	686	186
Councillor M E Selomo	5 183	3 117	2066
Councillor M I Mogotlane	9 213	1 168	8045
Total Councillor Arrear Consumer Accounts	15 268	4 971	10 297

During the year the following Councillors had arrear accounts outstanding for more than 90 days: -

30th June 2008

	<u>Highest Amount Outstanding</u>	<u>Ageing</u>
Councillor N S Montane	3 000	> 90 days
Councillor M R Lebelo	569	> 90 days

30th June 2007

	<u>Highest Amount Outstanding</u>	<u>Ageing</u>
Councillor M I Mogotlane	8 045	> 90 days
Councillor M Selomo	2 066	> 90 days
Councillor M R Lebelo	186	> 90 days



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26.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has deviated from supply chain management by a total amount of R 1 701 606.
The deviation report was approved by council and send to DPLG, Provincial- and National Treasury.

27. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

-Approved and contracted for	50 312 733	12 163 244
Infrastructure	46 749 813	7 381 928
Community	441 741	-
Heritage	-	-
Other	3 121 179	4 781 316
Housing Development Fund	-	-
Investment Properties	-	-
-Approved but not yet contracted for	-	5 927 199
Infrastructure	-	4 000 000
Community	-	1 927 199
Heritage	-	-
Other	-	-
Housing Development Fund	-	-
Investment Properties	-	-
Total	50 312 733	18 090 443

This expenditure will be financed from :

-External Loans	-	-
-Capital Replacement Reserve	10 949 587	-
-Government Grants	39 363 146	17 538 127
-Own resources	-	552 316
-District Council Grants	-	-
	50 312 733	18 090 443

28. RETIREMENT BENEFIT INFORMATION

All Councillors and employees belong to 5 defined benefit retirement funds.

27.1 Municipal Employees Pension Fund administered by Akani.

The last actuarial valuation was done in February 2005. The fund indicated that the next valuation is due early next year for the period ending in 2008. The total market value of the fund R 3 046 791 000.

27.2 Municipal Councillors Pension Fund administered by Absa Consultants & Actuaries.

The agreement in terms of which Akani Retirement Fund Administrators (Pty)Ltd administered the Fund was terminated with effect 29 February 2008. The Municipal Councillors Pension Fund has appointed Absa Consultants & Actuaries to be the new Administrator of the Fund with effect from 1 March 2008.

27.3 Municipal Employees Gratuity Fund administered by Coris Capital.

The last actuarial valuation was performed in June 2006. The total market value of the fund R6 557 416 000.

27.4 National Fund for Municipal Workers administered by themselves.

The latest voluntary valuation was done on 30 June 2006. As at 30 June 2006 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund records.

27.5 Transvaal Municipal Pension Fund administered by Lekana

The fund is closed for membership



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29. CONTINGENT LIABILITY

Claim for surveillance cameras	930 922	1 474 926
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The Municipality is being sued by Merchantile Bank for rental of surveillance cameras. Council is defending the claim based on legal advise. Trial is set down for 3 November 2008. The contingent liability of R930 922 doesn't include legal costs. Should council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from accumulated surplus.

Claim for water account	96 000	180 000
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The Municipality is being sued by a consumer, Academy of Sports Excellence, for a dispute on their water account. Council is defending the claim based on legal advise. A court date has not yet been set. Waiting for Plaintiff's Discovery Affidavit and trial date from Registrar. The contingent liability of R 96 000 doesn't include legal costs. Should council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from provision for bad debt.

Claim for termination of mandate for debt collection	8 465 022	8 465 022
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The Municipality is being sued by Katlego Benefit Administrators for termination of mandate for debt collection. Council is defending the claim based on legal advise. Trial date set for 24 November 2008. The contingent liability of R8 465 022 doesn't include legal costs. Should council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from the accumulated surplus or by council's insurers.

Claim for non-payment of cession		18 197
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The Municipality is being sued by Sekunjalo Piping Systems for non-payment of a cession to them. Council is defending the claim based on legal advise. Removed from roll on 23 February 2007

Claim for damages	58 786	
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The Municipality is being sued by Telkom for damages to underground cable. Letter of demand received on 8 May 2008 and information requested from Telkom.

Claim for damages	98 000	98 000
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The municipality cancelled the deed of sale due to non-payment of the assesment rates and levies and Mr M J Sethoga instituted a claim of R98 000.00 against the municipality for damages. The municipality furnished the court with a cheque in the amount of R23 074.38 which is the amount due to Mr M J Sethoga in terms of the deed of sale. Plaintiff alleges that he has withdrawn case. Waiting for confirmation from attorneys.

Claim for defamation	50 000	50 000
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The municipality is being sued by Kersten Max Will for an amount of R50 000.00 for damaged due to defamation. Mr Will has passed away.

Claim for land	-	-
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The municipality has cancelled a deed of sale due to non-compliance by the purchaser, Gov-AI Properties CC and repossessed the portion of land. Gov-AI Properties CC are now suing the municipality in the High Court in order to get possession of the land again. Awaiting trial date.

Claim for damages	100 000	100 000
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The municipality is being sued by R du Toit for an amount of R100 000.00 for damages after she fell on the pavement and hurt herself. Attorneys for insurance busy with case.

Claim for damages	90 000	90 000
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The municipality is being sued by S L Maphoto for the amount of R90 000.00 as his car was impounded by the municipality. Offer of R10 000.00 communicated to attorneys. Waiting for response.

Claim to design, build, implement and support of a 20 seater call centre	216 558	216 577
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The municipality is being sued by SA Call Centre for alleged services rendered. Still in process



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of exchanging pleadings.

Claim for damages	9 104	-
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The municipality is being sued by National Highway Markings after a vehicle collision. Attorneys for claimant : Woodroffe & Kleyn Attorneys. Letter of demand received 2 January 2008. Claim was forwarded to insurers.

Claim for damages	254 867	-
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The municipality is being sued by Sondela Seedlings for loss of revenue due to electrical fault. Claim registered with Insurers.

Claim for damages	-	-
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The municipality is being sued by Quarto Pack (Pty) Ltd for loss of income due to load shedding. Claim registered with Insurers.

Claim for damages	3 814	-
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The municipality is being sued by C Duckworth for tyres damaged by potholes. Claim registered with Insurers.

Claim for damages	1 194	-
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The municipality is being sued by H Steyn for losses suffered due to electricity that was wrongfully disconnected. Claim registered with Insurers.

Claim for damages	907	-
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The municipality is being sued by A Magagane for damages caused by a stone while cutting grass that dented the side of his vehicle. Claim registered with Insurers.

Claim for damages/ Windscreen damages - M J Beukes	936	-
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Claim registered with Insurers.

Claim for damages/ Windscreen damages - J H Claasen	950	-
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Claim registered with Insurers.

Claim for damages	1 150	-
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The municipality is being sued by K S A Rammatla for damages caused by speed humps. Claim registered with Insurers.

Claim for damages	23 760	-
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The municipality is being sued by L J Seota for damages caused by speed humps. Claim registered with Insurers.

30. CONTINGENT ASSETS

Claim for cell phone account	267 825	267 825
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The municipality is claiming an amount from Nashua Mobile in respect of cell phone contracts.

31. IN-KIND DONATIONS AND ASSISTANCE

The following donations were received in 2007/2008:

Unknown	12 000
Mayoral Gala dinner	10 000
PPL mine - For purchase of refuse truck	1 535 700
	<u>1 557 700</u>



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32. EVENTS AFTER THE REPORTING DATE

None

- 33. The accounting officer deviated from the supply chain management policy of the municipality by acquiring goods in an emergency, regulation 36 (c) of the Supply Chain Management Regulations.
- 34. The accounting officer deviated from the supply chain management policy by extending contract of Compensation Dynamics amounting to R148 555.45. Report tabled to council.
- 35. A contract to the value of R1 079 700.44 has been awarded to Mr Grove ' husband to Mrs Grove' who is employed by Mogalakwena Municipality.
- 36. Mrs Cachalia has been awarded a contract amounting to R 378 787.96, the wife to councillor Cachalia.

7. PROPERTY, PLANT AND EQUIPMENT
30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2007	53 200 589	229 479 781	83 692 118	9 737 278	376 109 765
Cost	26 755 297	312 760 627	35 383 578	30 599 299	405 498 801
Correction of error (note 22)	(3 231 655)	(2 536 720)			(5 768 375)
Revaluation	30 985 845	-	48 903 556		79 889 401
Accumulated Depreciation	(1 308 899)	(80 744 126)	(595 015)	(20 862 021)	(103 510 061)
- Cost	(1 308 899)	(80 744 126)	(595 015)	(20 862 021)	(103 510 061)
- Revaluation					
Acquisitions	93 811	98 936 100		8 728 461	107 758 372
Capital under Construction	-	63 969 132	2 430 248	58 260	66 457 640
Increases/decreases in revaluation	65 833 593		4 781 542		70 615 135
Depreciation	(9 515 521)	(16 667 596)	(8 279 266)	(3 425 246)	(37 887 628)
- based on cost	(6 371 465)	(16 667 596)	(950 264)	(3 425 246)	(27 414 571)
-based on revaluation	(3 144 055)		(7 329 002)		(10 473 057)
Carrying value of disposals	(6 004 180)	-	-	(1 679)	(263 218)
Cost	(1 391 861)			(252 988)	(1 644 849)
Accumulated depreciation	1 130 320			251 310	1 381 630
Revaluation	(5 742 639)				(5 742 639)
Impairment losses					
Other movements	(376 596)		(423 542)		(800 138)
Carrying Values at 30 June 2008	96 097 196	375 717 416	82 201 100	15 097 075	576 247 289
Cost	21 848 996	473 129 139	37 390 284	39 133 032	571 501 451
Revaluation	91 076 799	-	53 685 098	-	144 761 897
Accumulated Depreciation	(16 828 599)	(97 411 722)	(8 874 281)	(24 035 957)	(140 016 059)
- Cost	(13 684 544)	(97 411 722)	(1 545 279)	(24 035 957)	(129 543 002)
- Revaluation	(3 144 055)	-	(7 329 002)	-	(10 473 057)

Land and buildings were revalued to fair value. The effective date of the revaluation was 30 June 2008. The revaluation was done by Linchi Property Consultants CC , registered and independent valuers.

7. PROPERTY, PLANT AND EQUIPMENT (continued)
30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2006	21 083 096	188 755 203	37 235 545	8 822 635	255 896 479
Cost	21 659 191	255 990 949	37 235 545	27 602 945	342 488 630
Revaluation					
Accumulated Depreciation	(576 095)	(67 235 746)	-	(18 780 310)	(86 592 151)
- Cost	(576 095)	(67 235 746)		(18 780 310)	(86 592 151)
- Revaluation	-	-	-	-	-
Acquisitions	8 839 719	11 392 032	2 377 221	4 164 080	26 773 052
Capital under Construction	2 310 405	45 377 646	54 368	-	47 742 419
Increases/decreases in revaluation	30 985 845		48 903 556		79 889 401
Depreciation	(1 391 265)	(13 508 380)	(4 878 571)	(3 174 756)	(22 952 972)
- based on cost	(1 391 265)	(13 508 380)	(4 878 571)	(3 174 756)	(22 952 972)
-based on revaluation					-
Carrying value of disposals	658 461	-	4 283 556	(74 681)	4 867 336
Cost/revaluation				(1 167 726)	(1 167 726)
Accumulated depreciation	658 461		4 283 556	1 093 045	6 035 062
Impairment losses					
Other movements - transfer to inventory	(5 395 557)				(5 395 557)
Other movements	(658 461)		(4 283 556)		(4 942 017)
Carrying Values at 30 June 2007	56 432 243	232 016 501	83 692 118	9 737 278	381 878 140
Cost	26 755 297	312 760 627	35 383 578	30 599 299	405 498 801
Revaluation	30 985 845	-	48 903 556		79 889 401
Accumulated Depreciation	(1 308 899)	(80 744 126)	(595 015)	(20 862 021)	(103 510 061)
- Cost	(1 308 899)	(80 744 126)	(595 015)	(20 862 021)	(103 510 061)
- Revaluation					

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction



ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	ASSETS AT COST OR REVALUATION					ACCUMULATED DEPRECIATION				CARRYING VALUE
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	34 934 211	59 476 997		6 647 000	87 764 208	958 321	720 135	1 098 138	580 318	87 183 890
Buildings*****	19 575 276	6 073 811		487 500	25 161 587	350 578	8 795 386	32 182	9 113 782	16 047 805
	54 509 487	65 550 808	-	7 134 500	112 925 794	1 308 899	9 515 521	1 130 320	9 694 099	103 231 695
Infrastructure										
Water Mains	103 028 240	12 570 362	21 189 824		136 788 426	29 699 615	5 138 419		34 838 034	101 950 392
Sewerage	27 795 424	10 621 381	4 163 782		42 580 588	5 959 671	1 623 343		7 583 014	34 997 574
Roads and Stormwater	129 359 617	53 533 398	25 058 388		207 951 403	29 566 825	7 689 662		37 256 487	170 694 916
Pedestrian	562 910				562 910	348 422	15 700		364 122	198 788
Electricity	49 477 715	20 328 111	12 337 126		82 142 952	15 169 593	2 184 781		17 354 374	64 788 578
Telkom sleeves		1 882 848	1 220 012		3 102 860		15 690		15 690	3 087 170
	310 223 906	98 936 100	63 969 132	-	473 129 139	80 744 126	16 667 595	-	97 411 721	375 717 418
Community Assets										
Recreation Grounds	1 407 595		1 032 047		2 439 642	33 978	85 312		119 290	2 320 352
Community Buildings	70 775 205	4 358 000	1 398 202		76 531 407	224 807	7 790 476		8 015 283	68 516 124
Civic Buildings	12 104 334				12 104 334	336 232	403 478		739 709	11 364 625
	84 287 135	4 358 000	2 430 248	-	91 075 383	595 016	8 279 266	-	8 874 282	82 201 101
Other Assets										
Landfill sites	46 870		58 260		105 130	-			-	105 130
Office Equipment	1 949 762	1 148 345		3 730	3 094 377	1 486 667	230 109	2 052	1 714 724	1 379 653
Furniture & Fittings	1 944 770	387 503			2 332 273	763 528	162 227		925 755	1 406 518
Bins and containers	594 841	96 510			691 351	445 187	46 144		491 331	200 020
Emergency Equipment	37 332	21 667			59 000	37 332	3 009		40 342	18 658
Motor Vehicles	16 408 500	2 995 275		163 616	19 240 159	10 205 880	2 009 508	163 616	12 051 773	7 188 386
Fire Engines	-				-	-			-	-
Computer Equipment	5 581 498	2 638 910		85 642	8 134 765	4 955 557	527 365	85 642	5 397 280	2 737 486
Plant and Equipment	3 294 190	1 326 713			4 620 903	2 683 774	300 051		2 983 826	1 637 077
Security Measures	126 923	85 411			212 334	42 885	32 009		74 894	137 440
Other Equipment	614 612	28 128			642 741	241 209	114 824		356 034	286 707
	30 599 300	8 728 461	58 260	252 988	39 133 032	20 862 021	3 425 246	251 310	24 035 957	15 097 075
TOTAL ASSETS	479 619 827	177 573 369	66 457 640	7 387 488	716 263 348	103 510 062	37 887 628	1 381 630	140 016 059	576 247 289

Investigation/surveying cost for R 5 768 375.00 was previously included under the opening balance but taken out . See correction of error Note 22.

Included in the opening balance is an amount of R 49 076 666 for work in progress in 2005/2006 (R 1 334 247) and 2006/2007 (R 47 742 419)

From the R 49 076 666 projects for R 41 215 743.45 was finalised during 2007/2008. R 5 768 375.00 is a correction of error.
Remaining under the opening balance is an amount of R 2 092 546.91 for work in progress not finalised yet at 30 June 2008.

APPENDIX B

MOGALAKWENA MUNICIPALITY



SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	ASSETS AT COST OR REVALUATION					ACCUMULATED DEPRECIATION				CARRYING VALUE
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	2 298 355	2 553 682	0	0	4 852 036	1 328 982	277 865	0	1 606 848	3 245 189
Finance & Admin	148 542 107	73 816 403	5 651 117.41	7 315 073	220 694 554	10 939 715	18 703 229	1 310 894	28 332 050	192 362 503
Planning & Development	446 665	120 606	1 285 924	11 435	1 841 761	252 650	70 928	11 435	312 143	1 529 618
Health	64 251	0	0	0	64 251	52 132	2 114	0	54 246	10 005
Community & Social Services	485 804	304 999	112 277	0	903 081	250 656	35 503	0	286 159	616 921
Public Safety	3 665 794	346 268	0	33 887	3 978 174	2 462 335	417 003	33 887	2 845 452	1 132 722
Sport & Recreation	2 910 633	119 786	1 032 047	0	4 062 465	1 094 560	271 621	0	1 366 180	2 696 285
Environmental Health	80 356	0	0	23 363	56 993	58 161	4 527	23 363	39 325	17 668
Waste management	33 082 066	10 717 891	4 222 042	0	48 021 999	9 359 099	2 135 274	0	11 494 373	36 527 626
Road Transport	130 817 913	54 112 732	20 627 283	0	205 557 927	30 399 954	7 900 045	0	38 299 999	167 257 928
Electricity	52 961 362	21 467 341	12 337 126	0	86 765 829	17 141 289	2 732 000	0	19 873 288	66 892 541
Water	104 256 323	14 008 461	21 189 824	0	139 454 609	30 166 934	5 335 127	0	35 502 062	103 952 547
Other	8 200	5 199	0	3 730	9 669	3 596	2 391	2 052	3 936	5 733
TOTAL ASSETS	479 619 827	177 573 369	66 457 640	7 387 488	716 263 348	103 510 062	37 887 628	1 381 630	140 016 059	576 247 289

APPENDIX C

MOGALAKWENA MUNICIPALITY



SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income	2007 Actual Expenditure	2007 Surplus/ (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)
R	R	R		R	R	R
72 382 115	43 294 695	29 087 420	Executive & Council	82 773 256	55 368 204	27 405 052
43 508 121	52 695 993	(9 187 872)	Finance & Admin	76 825 906	77 874 754	(1 048 848)
740 888	10 312 115	(9 571 227)	Planning & Development	3 079 309	13 634 824	(10 555 515)
1 457	94 072	(92 614)	Health	105	49 579	(49 474)
480 426	3 392 199	(2 911 773)	Community Services	463 913	3 807 166	(3 343 253)
118 485	12 392	106 093	Housing	119 185	14 549	104 636
2 996 848	8 990 836	(5 993 987)	Public Safety	2 767 315	9 388 936	(6 621 621)
619 432	4 269 718	(3 650 286)	Sport & Recreation	2 151 946	4 510 858	(2 358 912)
3 906	1 452 174	(1 448 268)	Environmental Health	1 992	1 529 586	(1 527 594)
26 496 982	15 970 928	10 526 054	Waste Management	24 819 004	17 364 493	7 454 510
37 145 894	19 657 040	17 488 854	Road Transport	44 270 280	27 251 214	17 019 067
62 660 681	48 470 652	14 190 029	Water	64 959 705	42 984 880	21 974 825
72 326 728	48 055 720	24 271 008	Electricity	80 118 098	52 007 654	28 110 443
0	322 956	(322 956)	Other	0	347 415	(347 415)
319 481 963	256 991 490	62 490 473	SUB TOTAL	382 350 012	306 134 111	76 215 902
	(15 157 954)	15 157 954	Less: Inter-Dep Charges		13 147 618	(13 147 618)
319 481 963	241 833 536	77 648 428	TOTAL	382 350 012	292 986 492	89 363 520

**ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2008**



	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	33 983 046	32 298 396	1 684 650	5	
Property rates-penalties imposed and collections charges			-		
Service charges	108 884 600	103 562 214	5 322 386	5	
Rental of facilities and equipment	227 712	263 250	(35 538)	-13	Decrease in rental of facilities
Interest earned-external investments	17 163 519	5 000 000	12 163 519	243	More money on investment than anticipated
Interest earned-outstanding debtors	2 051 328	3 000 000	(948 672)	-32	Only budget R3 million, income not receive
Fines	1 201 118	1 739 500	(538 382)	-31	Fines withdrawn by prosecuter/ non-payment
Licences and permits	5 820 776	5 466 355	354 421	6	
Government grants and subsidies	178 461 212	216 539 799	(38 078 587)	-18	Projects not completed
Other income	34 556 701	71 958 970	(37 402 269)	-52	Selling of stands in Ext 12 not as anticipated
Public contributions, donated/contributed PPE	-		-		
Gains on disposal of property, plant and equipment			-		
Total Revenue	382 350 013	439 828 484	(57 478 471)	-13	
EXPENDITURE					
Executive & Council	55 368 204	52 034 324	3 333 880	6	Over provision on bad debt and depreciation
Finance & Admin	77 874 754	70 282 499	7 592 255	11	Under provision for depreciation on fixed property
Planning & Development	13 634 824	13 800 363	(165 539)	-1	
Health	49 579	52 393	(2 814)	-5	
Community Services	3 807 166	4 360 045	(552 879)	-13	Savings
Housing	14 549	57 550	(43 001)	-75	Savings
Public Safety	9 388 936	10 268 105	(879 169)	-9	
Sport & Rereation	4 510 857.56	4 814 197	(303 339)	-6	
Environmental Health	1 529 586	1 591 975	(62 389)	-4	
Waste Management	17 364 493.35	19 231 175	(1 866 682)	-10	
Road Transport	27 251 213.58	30 250 002	(2 998 788)	-10	
Water	42 984 880	49 144 470	(6 159 590)	-13	Savings
Electricity	52 007 654	65 892 192	(13 884 538)	-21	Savings and the charge out of electricity
Other	347 415	379 410	(31 995)	-8	workshop
Inter -departmental charges	-13 147 618	-12 404 500	(743 118)	6	
Total Expenditure	292 986 492	309 754 200	(16 767 708)	-5	
NET SURPLUS/(DEFICIT) FOR THE YEAR	89 363 521	130 074 284	(40 710 763)	-31	



MOGALAKWENA MUNICIPALITY

APPENDIX D(2)

ACTUAL VERSUS BUDGET (ACQUISITION PROPERTY, PLANT & EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances Greater than 5% Versus Budget
Executive & Council	2 553 682	0	2 553 682	2 679 890	-126 208	-5%	
Finance & Admin	73 816 403	5 651 117	79 467 521	101 338 508	-21 870 987	-22%	Re-Valuation on municipal property R70million and Ext 12 moved to infrastructure
Planning & Development	120 606	1 285 924	1 406 530	1 907 853	-501 323	-26%	Wrongly budgeted under capital in stead of operational
Health	-	-	0	-	0		
Community Services	304 999	112 277	417 277	698 398	-281 121	-40%	Cemetery not completed - waited for EIA report
Housing	-	-	0	-	0		
Public Safety	346 268	-	346 268	374 970	-28 702	-8%	Saving on capital
Sport & Rereation	119 786	1 032 047	1 151 833	2 383 155	-1 231 322	-52%	Project on sport stadiums funded by Lottery not finalised
Environmental Health	-	-	0	-	0		
Waste Management	10 717 891	4 222 042	14 939 933	6 378 075	8 561 858	134%	Sewer costs for Ext 12. Origanally budgeted under finance and admin
Road Transport	54 112 732	20 627 283	74 740 014	55 631 077	19 108 937	34%	Road & stormwater costs for Ext 12 . Origanally budgeted under finance and admin
Water	14 008 461	21 189 824	35 198 286	47 600 180	-12 401 894	-26%	Water infrastructure for Ext 12. Origanally budgeted for under finance and admin
Electricity	21 467 341	12 337 126	33 804 467	12 359 240	21 445 227	174%	Electricity infrastructure for Ext 12. Origanally budgeted for under finance and admin
Other	5 199	-	5 199	17 739	-12 540	-71%	Saving on capital
Total	177 573 369	66 457 640	244 031 009	231 369 085	12 661 924	5%	



MOGALAKWENA MUNICIPALITY

APPENDIX E

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2008

GRANT AND SUBSIDIES RECEIVED

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		March	June	Sept	Dec	March	March	June	Sept	Dec	March	March	June	Sept	Dec	March		Yes/No	
Municipal Infrastructure Grant	Treasury	21 005 592	12 425 218	12 000 000	13 966 084	14 359 573	4 266 127	9 230 112	6 705 997	10 063 328	8 885 138							Yes	
Department of Water Affairs	Department of Water Affairs	7 955 423	6 403 831	4 709 500	9 679 000	25 560 000	1 258 522	11 169 364	4 229 562	3 268 751	5 146 396							Yes	
Finance Management Grant	Treasury			500 000			117 919	240 477	57 131	34 333	126 508							Yes	
Waterberg District Municipality	Waterberg District Municipality	2 339 411					402 065				2 500							Yes	
Department of Mineral & Energy	Department of Mineral & Energy	3 773 000				1 800 000	154 085	203 549	395 843	406 442								Yes	
Call centre	Office of the Premier																	Yes	
Seta	Seta																	Yes	
Lottery funding	National Lottery							291 034	106 068	675 341	250 637							Yes	